



MICHIGAN HOUSE OF REPRESENTATIVES

REPRESENTATIVE JAMES A. LOWER

CHIEF DEPUTY WHIP

70TH DISTRICT

Summary of HB 6049 (Lower) and SB 1025 (Stamas) Property Tax Administration Reform Revised Proposal November 2018

Overall Goal

Michigan's property tax is by far our largest tax, raising over \$14 billion per year. Revenues support programs for the state, schools, and local governments.

Yet, by its nature, it is the most difficult tax to administer. Many jurisdictions are doing a good job, but statewide we are failing the first rule of tax administration — transparency and consistency.

The goal of these two identical bills is to raise the quality standards for our most important tax and to assure the constitutional requirements of uniformity are met for all taxpayers, whether it's a business in southeast Detroit or a homeowner in the Upper Peninsula.

Background

Michigan's property assessing system has been under increasing strain for years. It relies on too few people — with varying abilities — to assess too many units while changes to the tax code continue to make assessing more complicated. Moreover, the profession is having trouble attracting and retaining the highest quality assessors. Currently, there are only 150 of the highest-level assessors, compared to nearly 1,500 taxing jurisdictions, and half of those assessors are eligible for retirement.

The state's Audit of Minimum Assessing Requirements (AMAR) shows that certain deficiencies are systemic. To address this problem, minimum property assessing quality standards are needed to ensure that all cities and townships can perform their statutory and constitutional assessing duties. While cities and townships vary in size and property composition, taxpayers are no less deserving of quality assessing and access to people and information in a rural township of 600 than in an urban city of 60,000. Further, local taxing units throughout the state, and the state itself (through school operating taxes), depend on quality assessing to ensure a fair and reliable property tax revenue stream. When assessing quality is deficient, litigation increases, fairness decreases, and taxpayers, local units, and the state are all put at risk.

Principles of Reform

A few basic principles guide HB 6049 and SB 1025

- One size doesn't fit all – any new system must account for the variety of circumstances across the state.
- The proposal sets quality standards that must be met by all jurisdictions – but *how* the standards are met is up to each local government. The bills do not force consolidation. They

allow each local unit not meeting the standards to improve internally, join with another local government, or contract with the county or an outside vendor.

- Most of the proposal is not breaking new ground. Local governments for years have shared assessors or contracted with the county.

Proposal

HB 6049 (Lower) and **SB 1025 (Stamas)** would establish minimum statewide property assessing quality standards while providing cities and townships flexibility, control, and resources to implement them. The bills would also provide for Designated Assessors to serve units that remain deficient after multiple opportunities for correction until those deficiencies are structurally addressed.

- Establish minimum statewide property assessing quality standards that incorporate the principal AMAR requirements and ensure taxpayer access to information and people.
- Allow cities/townships to meet these quality standards using any structure currently available under the law, including sharing an assessor with other cities/townships or using their own assessor of record.
- Provide for Designated Assessors to serve as assessors of record for units that are unable to achieve substantial compliance with the minimum standards after 2 assessing cycles following a Notice of Noncompliance.
- Create a collaborative mechanism for counties, cities, and townships to designate individuals as Designated Assessors and a mechanism for returning assessing functions to a local unit once structural deficiencies have been addressed.
- Allow 2 or more contiguous cities or townships to share a board of review.
- Propose funding for board of review and assessor training.

Key Changes from Introduced Version

Over the past few months, we have been meeting with many groups to address their concerns. In response, key changes to the proposal include:

- Remove minimum parcel count and taxable value threshold criteria for local for assessors of record.
- Eliminate requirement that an assessor be either Master or Advanced Level Assessor to serve as assessor of record; unless the local unit has previously been found to be out of compliance with quality standards and contracts with a new assessor
- Eliminate provision requiring counties to serve as assessor of record for failing units, replaced with collaborative Designated Assessor process described above
- Eliminate minimum staffing requirements and references to IAAO standards. Instead, local units must develop policy to ensure accessibility for taxpayers
- Codify current AMAR requirements as key quality provisions, giving local units and assessors certainty about how they will be reviewed
- Provide clear timelines for submitting corrective action plans and an appeal process for local units and assessors who are determined to be out of compliance with quality metrics

We have the opportunity to reform Michigan's largest, most complicated tax to benefit taxpayers and local communities. The goal is to ensure accurate, transparent assessments across the state, preserve local control, reduce litigation costs, provide support and training for the assessing community, and restore faith in the system.